

# **APPENDIX A**

**A-1**

**PX-405**

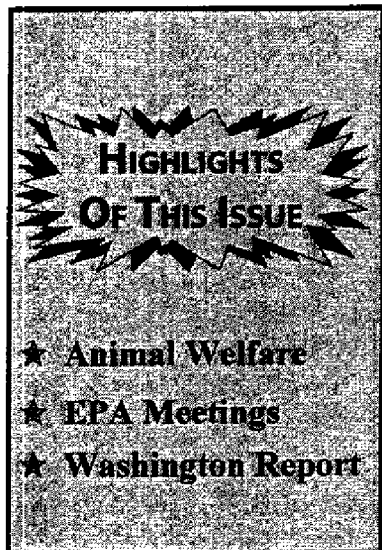


# United Voices



United Egg Producers  
Gene Gregory - Editor

February 19, 2001



## *LEGISLATIONS & POLICIES OF ANIMAL WELFARE*

The animal welfare issue continues to heat up as evidence of the following recent actions:

- PETA members protested in front of a Burger King in Youngstown, Ohio holding posters with a bloody cow's head and distributing graphic "Murder King" stickers and leaflets. PETA Vegan Campaign coordinator Bruce Friedrich says "unlike its chief competitor McDonald's, Burger King uses suppliers that slice birds' beaks off with a hot blade and starve birds for up to 14 days to shock their bodies into another egg-laying cycle".
- The Illinois Humane Pac introduces legislation in Illinois that would ban molting of laying hens. For the time being, they have dropped their plans to introduce legislation to ban the use of cages.
- Legislation is being introduced in the state of Washington to eliminate the use of cages, beak trimming, and molting.
- In New Jersey the Department of Agriculture is considering imposing welfare guidelines upon the producers of that state.
- The **Food Marketing Institute** recently adopted animal welfare policies for their retail members.

All UEP members should be watchful of proposed legislation in their states and stay in close contact with their elected representatives.



## *DOES YOUR UEP MEMBERSHIP PROVIDE A RETURN ON INVESTMENT?*

While many may consider UEP's primary role as representing their interest in government relations and these efforts have saved the industry considerable money over the past few years, it is also worthy of reviewing the contributions made in direct relation to the value of eggs. Actions take by UEP's Marketing,

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Price Discovery and USEM's Export committees during the year 2000 had a dramatic impact upon the financial condition of the egg industry. Consider the following:

- Recommendations made by UEP's Marketing Committee to reduce the chick hatch and hen inventory resulted in improved egg prices starting in August.
- Recommendations made by UEP's Price Discovery Committee resulted in some of the increased cost of the PCT being reflected in the market quote.
- Exports being filled by members of USEM resulted in removing surplus eggs from the domestic supply.

What was the impact of these actions? When comparing the Northeast Urner Barry large quote of 2000 to 1999 for the period of August through December we find the following:

August= 5.1 cent increase	September = 4.5 cent increase
October= 16.4 cent increase	November= 13.7 cent increase
December= 29.5 cent increase	

During this period a total of 83.4 million cases of eggs were produced. When applying the monthly increase to the monthly production you will calculate an increased revenue of \$350 million dollars.

## ***WHAT'S THE DIFFERENCE BETWEEN BREAKING STOCK & CLASS # 1 EGGS?***

With approximately 30% of all eggs produced being broken for further products and only about 7% of total production being of undergrade quality you must recognize that most eggs being broken are of shell egg market quality. The case weight of a class #1 gradable nest run is 48 pounds. Breaking stock quotes are based on 48-50 pound case weight. So how does the market value compare?

The central breaking stock quote for year 2000 averaged 33.16 cents while the Midwest quote for class #1 eggs averaged 44.33 cents. After deducting 4 cents for material costs for class weight eggs this still leaves a 7 cent advantage for class #1 eggs. Is breaking stock undervalued?

## ***WELCOME NEW MEMBERS***

United States Egg Marketers is pleased to welcome Reg Keddie of Edelweiss Farms in Aurora, Oregon to their membership.

UEA Allied is pleased to welcome the fowl processing company, Crider, Inc. of Metter, Georgia to their membership.

## ***SUCCESS OF SE VACCINE IN EUROPE***

The British egg industry reports having made a major investment in recent years in a salmonella vaccination program through its Lion Code of Practice. This is now recognized as having effectively eliminated salmonella from British Lion-marked eggs, and as being responsible for the large fall in human cases of salmonella in the last two years. Source: National Egg Marketing Association.

## ***HOLBROOK RETIRES FROM USDA***

Mike Holbrook, Deputy Administrator for Poultry Programs retired on February 2nd after 31 years of service with USDA. He plans to build his retirement home on the family farm near Asheville, North Carolina.

## ***EPA TO HOLD PUBLIC MEETINGS***

***By: Dr. John Thorne, UEP Environmental Consultant***

Eight public meetings will be held in March on the recently proposed rules governing Concentrated Animal Feeding Operations (CAFO) rules. EPA has scheduled these meetings to increase public understanding of the controversial proposed regulations for CAFOs. The meetings are not a mechanism for submitting formal comment on the proposal – UEP and Capitolink will develop comments for submission during the 120-day public comment period. The format for the meetings will be a brief presentation by EPA officials on the proposed regulations, followed by a question and answer session. Participants will be assumed to be familiar with the basic aspects of the proposed regulations prior to attendance (contact me through my website for a detailed summary if you wish to attend or want additional information on the proposed CAFO regulations). Advance registration is not required for the following meetings:

- March 1<sup>st</sup> (1:00–5:00 PM) – Baltimore Marriott Inner Harbor – Baltimore, Md.
- March 7<sup>th</sup> (1:30–5:30 PM) – Benton Auditorium – Ames, Ia.
- March 13<sup>th</sup> (1:00–5:00 PM) – Riverside Convention Center – Riverside, Ca.
- March 15<sup>th</sup> (1:00–5:00 PM) – Fort Wayne Hilton at Convention Center – Ft. Wayne, In.
- March 20<sup>th</sup> (1:00–5:00 PM) – Hotel Adolphus – Dallas, Tx.
- March 22<sup>nd</sup> (1:00–5:00 PM) – Chattanooga Clarion Hotel – Chattanooga, Tn.
- March 27<sup>th</sup> (1:00–5:00 PM) – Executive Tower Hotel – Denver, Co.
- March 29<sup>th</sup> (1:00–5:00 PM) – The Grove Hotel – Boise, Id.

**Why the new regulations?** EPA issued the CAFO regulations in response to a lawsuit lost to the environmental activist organization, National Resources Defense Council (NRDC). In a consent decree, a federal judge ordered EPA to update certain Effluent Limitations Guidelines (ELGs). EPA chose as one of the ELGs to update the ELG for livestock, including poultry. EPA negotiated a 1-year extension in 1999 by agreeing to include the livestock permit rule (for revising the rules for NPDES permits) with the ELG in the consent decree. Both were proposed December 15, 2000 and will be finalized December 15, 2002.

EPA and environmental groups have expressed concerns with the growing number of large CAFO operations and associated water and air quality problems from large waste lagoons and nonpoint source runoff from land application of manure. EPA also was concerned that individual states' permitting programs vary widely, and hopes the regulations will create a "level playing field" from state to state for CAFO permits. Once the rules are finalized late in 2002, all states will have about a year to adapt their permitting programs to incorporate these rules. EPA estimated that only about 10% of eligible CAFOs currently have federal permits, so this could represent a significant resource challenge for both the states and federal agencies.

About a year later individual producers will be regulated by the new rules. Many egg producers could be caught off guard as states adopt these requirements. For some, this could be the first time they have had a permit of any kind. All aspects of the animal agriculture industry (poultry, beef, hogs and dairy) have been lobbying the new Bush Administration extensively to soften the blow from the regulatory expansion. Bush will likely be sensitive to agriculture's concerns, although the timing of the midterm election (November, 2002) and finalization of these rules (December, 2002) could limit the extent of changes to the EPA proposal. The federal court order will ensure that some version of the rules will be finalized in 2002.

For more information on this and other agriculture environmental issues, log on to my website at <http://www.capitolink.com>.

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## ***INTERESTING FEEDSTUFFS ARTICLE***

We found a great deal of interest in the cover story of *Feedstuffs* issue of January 29<sup>th</sup>. Staff Editor Rod Smith interviewed executives from Rabobank and included their assessment of agriculture markets within the story. We encourage everyone to read the story. A few highlights on the comments from Rabobank executives included:

- Agriculture is moving from a food supply-driven to a demand-and market-driven scenario.
- Food must provide the high quality and value consumers demand and food production must be controlled from farm gate to table.
- Production has to be organized into strategic alliances, partnership or systems.
- Consumers have tremendous choices and they are using those choices more and more to instruct food manufacturers – cattle feeders, pork and poultry producers, packers, processors – what kind of products they want and when and where they want them.
- Being low cost is a good starting place but producers today need to access premiums on the quality and value side of production.
- Five food retailers sell almost 50% of all food moved through retail systems and they are making more and more demands of food manufacturing/processor suppliers for brands and services and seeking suppliers who can deliver more of their inventory needs.

There is a great deal more, so get a copy. We think you will find their perspective interesting.

## ***JIM ROUNTREE PASSED AWAY***

Jim Rountree passed away in David City, Nebraska on February 1<sup>st</sup>. Jim, had been employed with Henningsen Foods for nearly 44 years with his most recent duties being that of flock operation manager. Jim had always been very involved in the Nebraska Poultry Industries Council and will be missed by everyone associated with the egg production and processing business in Nebraska.

## ***FIBERGLASS CHICKENS AND EGGS***

To honor local egg farming, the city of Lynnwood, Washington will host an outdoor art exhibit this summer featuring 70 fiberglass chickens and eggs, each 6 feet tall. Organizers hope to draw 50,000 visitors and \$1 million in tourist revenue. Source: USA Today.

## ***NATIONWIDE EGG MARKET OUTLOOK***

<b>Tuesday</b>								
February 13, 2001	NE	Change	MW	Change	SE	Change	SC	Change
Class 1	44	NC	47	NC	44	-2	53	+2
Class 2	39	NC	40	NC	41	NC	44	+1
Class 3	37	NC	36	NC	39	NC	38	NC
Class 4	31	NC	31	NC	32	NC	31	NC
Breaking Stock	36	NC	41	+1	38	NC	41	+1